

Employer Assisted Housing

Addressing the Housing Affordability Gap

In 1912, Clarkdale, Arizona was founded by Senator William A. Clark to provide housing for workers at his United Verde copper mine in nearby Jerome. Like other “company towns” established during the industrial heyday of the 19th and early 20th century, United Verde built and maintained the housing stock in Clarkdale and thereby ensured that its employees could live nearby. Today, Clarkdale is no longer a mining town, but it is home to mixed-income housing, a thriving commercial district, recreational and cultural facilities, and parks, reflecting the imprint of Senator Clark’s original master plan for the community.

Today, few company towns still exist. But with housing costs now far exceeding workforce wages in many parts of Arizona, the idea of “employer assisted housing”—albeit in a different form than the development of an official company town—is gaining renewed traction. In 2004, The Arizona Association of REALTORS partnered with Fannie Mae to launch “Housing Arizona’s Workforce,” a program designed to assist employers in developing housing benefits for their employees. Arizona’s pilot has now become a national effort called “Home from Work,” cementing the idea that employer assisted housing is an important tool for addressing the affordable housing needs of the country’s workforce.¹

More of an umbrella term than a specific program, employer assisted housing (EAH) encompasses a wide range of possible activities, ranging from simple and inexpensive strategies such as providing homebuyer education classes at the workplace and notifying employees about existing

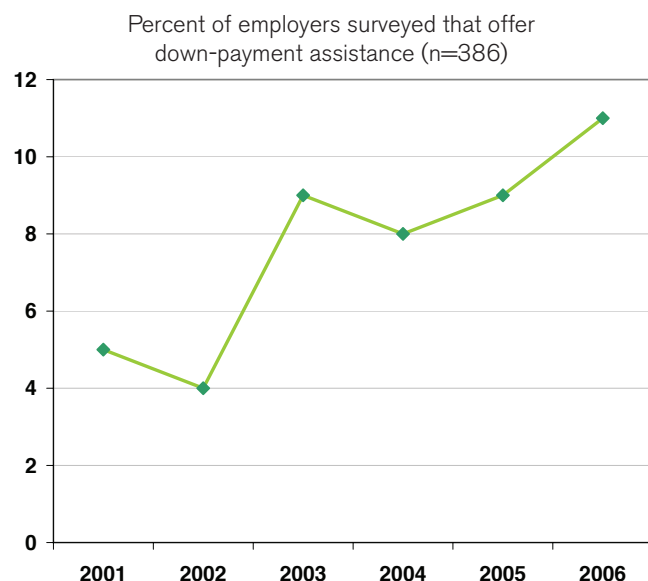
government subsidies, to more significant interventions such as offering downpayment assistance and mortgage loan guarantees. (See Figure 1) At the heart of EAH is the idea that employees should be able to afford to live in the communities in which they work, and that there are multiple benefits to being able to do so. Not only do EAH programs reduce employee housing costs, they also reduce the costs associated with commuting and congestion.² Employers also benefit. A study by the Joint Center for Housing Studies at Harvard University shows that reducing commute times can increase employee morale and productivity, and decrease absenteeism, tardiness and stress. All of these factors can reduce turnover, which cost businesses an average of 25 percent of an employee’s annual salary.³

Well-designed EAH programs can also contribute to neighborhood revitalization and support a broader range of community development goals, such as infill development, community involvement and civic participation. In West Palm Beach, Florida, for example, MerryPlace received funding from the legislature under a pilot workforce housing project, bringing urban infill construction to an area that had historically been plagued by crime and abandoned buildings. The \$45 million project qualified for \$5 million in funds from a state workforce housing program by setting aside units for teachers at nearby schools. The school district is among several agencies funding the project. Universities have also used EAH programs to help revitalize neighborhoods surrounding their campus facilities.

Figure 1. *Employer Assisted Housing Can Span a Wide Range of Activities*

Demand-Side Mechanisms		Supply-Side Mechanisms
Up-Front (Down Payment, Closing Costs) Assistance: <ul style="list-style-type: none"> Deferred loan Repayable loan Forgivable loan Grant Savings plan withdrawals/loans Employee savings match Second mortgage Mortgage guarantee 	Monthly (Carrying Costs) Assistance: <ul style="list-style-type: none"> Mortgage buydown Group mortgage origination Group mortgage insurance Securities purchase Equity guarantee (assurance/insurance pool) 	<ul style="list-style-type: none"> Advocacy Cash participation Provision of development sites Donation of services Construction financing Purchase guarantees Master leases
	Marketing/outreach services Education/counseling services	

Figure 2. *Growth in Employer-Assisted Housing Benefits (2001-2006)*



Source: Office of the Comptroller of the Currency (2007).


In the last five years, the number of EAH programs has grown significantly, though it has a long way to go before it is as common as health or retirement benefits. (See Figure 2) In part, this is because EAH remains an unfamiliar concept for many human resource departments, and employers may not be aware of the range of benefits they could offer under EAH. To address these barriers, the Community Development Department has hosted forums and roundtables in many high-cost areas in the Federal Reserve's 12th District to introduce the concept of EAH to a wide range of stakeholders and to facilitate the partnerships needed to develop EAH programs. In Idaho, for example, Craig Nolte, the Community Development Department's regional manager for Alaska, Idaho, Hawaii, Oregon and Washington, helped organize a "Northern Idaho Workforce Housing Summit" at Schweitzer Mountain Resort in Sandpoint to address the growing gap between the area's wages and housing costs, which are being driven upwards by demand for expensive vacation properties. The Summit brought together over 200 participants, including employers, government officials, nonprofit organizations and lenders, to learn how they could collaborate to provide more affordable housing options in the region. Craig has also worked with banks to educate them about the mortgage lending opportunities associated with employer assisted housing programs.⁴

Another barrier to widespread adoption has been lack of funding to support more robust EAH programs. Some states,

most notably Illinois, have created EAH tax credit programs to help offset employer costs of offering a housing benefit. Between 2000 and 2006, the Illinois program has helped over 1,000 employees buy homes using their employers' contributions towards their downpayment, and more than 2,000 employees have benefited from credit counseling, homeownership education, and down payment assistance.⁵ Some state housing finance agencies and city governments also offer EAH mortgage programs especially for targeted workforce groups such as firefighters and teachers.

Still, many suggest that there is a need for a national tax credit to increase the scale of these programs. The Housing America's Workforce Act, introduced in Congress in March of 2007, aims to do just that. The Act, based on the Illinois model, would provide a tax credit equal to 50 percent of the cost of qualified housing expenses for eligible low- and moderate-income employees. For homebuyers, this would provide up to \$10,000, or six percent of the employee's home purchase price (whichever is less), which could be used to subsidize down payments, closing costs, financing costs, contributions to second mortgage pools, mortgage guarantee programs, or contributions to an employee homeownership savings account. For renters, up to \$2000 could be applied toward security deposits and rental payments. The Act also would award \$5 million a year in grants for nonprofit groups and local governments taking part in employer-assisted housing programs.⁶

While it is unlikely that the Act will pass before the 2008 national elections, efforts to promote federal legislation supporting EAH will undoubtedly continue. The National Housing Conference, which was the driving force behind the introduction of the bill and which has been working to educate legislators about the benefits of EAH, sees this as an important bi-partisan issue. Rosalyn Crain, Policy Associate at the National Housing Conference, says that EAH offers "a triple win. It benefits the community, it benefits businesses, and it benefits employees. A federal law would help to raise the visibility of EAH as a viable and cost effective affordable housing strategy, one that works in rural communities as well as in high-cost metropolitan areas."

Affordable housing is one of the many community development issues that requires that we continue to develop innovative strategies that bring new resources and partners to the table. Craig and the other regional managers in the department will continue to explore ways to raise awareness of EAH programs among employers, lenders, and community groups, seeing it as one way to effectively leverage public and private funds to address housing affordability challenges and community revitalization within the Federal Reserve's 12th District. 

From Mattress Money to Checking Accounts

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2. Center for Financial Services Innovation (200x). "Fact Sheet: The Unbanked and Underbanked." Center for Financial Services Innovation, Chicago, IL.
3. Matt Fellowes and Mia Mabanta (2008). "Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential." Brookings Institution, Washington DC.
4. Wyatt Buchanan (2007). "Bank accounts put in reach of poor, immigrants; S.F.'s pioneering effort allows residents to avoid high fees at check-cashing outlets." December 4, 2007, *The San Francisco Chronicle*.
5. Abby Hughes Holsclaw (2008). "NLC's bank on cities campaign to help city leaders expand access to mainstream financial services." February 4, 2008, *Nation's Cities Weekly*.
6. *ibid*.

Community Land Trusts

1. David Abromowitz and Roz Greenstein (2008). "A Foreclosure-Free Option," *The Boston Globe*, January 23, 2008. Available online at http://www.boston.com/realstate/news/articles/2008/01/23/a_foreclosure_free_option/
2. John Emmeus Davis (2006). *Shared Equity Homeownership: The Changing Landscape of Resale-Restricted, Owner-Occupied Housing*. National Housing Institute: New Jersey.
3. Gus Newport (2005). "The CLT Model: A Tool for Permanently Affordable Housing and Wealth Generation," *Poverty and Race*, January/February 2005. See also: "Building Urban Villages," E. F. Schumacher Society Newsletter Jan 2006, accessed online on February 22, 2008, <http://www.schumachersociety.org/newsletters/06jan26.html>.
4. In the 1970s, 80s and 90s the Institute for Community Economics (I.C.E.), Burlington Associates in Community Development, and others fostered the creation of community land trusts around the country—providing support and technical assistance. Then, in 2005, I.C.E. passed the torch for training, resource development and peer-to-peer networking to the people who run CLTs—the practitioners. Last year this group formed the new National Community Land Trust Network. See *Community Land Trust Link*, Volume 1, Issue I, Winter 2007, <http://www.cltnetwork.org/Resources/newsletters/2007/NCLTnetwork-newsletters-winter%202007-vol1.pdf>
5. Rosalind Greenstein and Yesim Sungu-Eryilmaz (2007). "Community Land Trusts: A Solution for Permanently Affordable Housing," *Land Lines* January 2007. Lincoln Institute of Land Policy.
6. Gus Newport (2005). "The CLT Model: A Tool for Permanently Affordable Housing and Wealth Generation," *Poverty and Race*, January/February 2005.
7. John Emmeus Davis (2006). *Shared Equity Homeownership: The Changing Landscape of Resale-Restricted, Owner-Occupied Housing*. National Housing Institute: New Jersey, p. 19.
8. Mickey Lauria and Erin Comstock (2007). "The Effectiveness of Community Land Trusts: an Affordable Homeownership Comparison," Lincoln Institute of Land Policy Working Paper.
9. <http://www.iceclt.org/clt/cltmodel.html#impfeatures>

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1. "Home From Work Employer-Assisted Housing: Step by-Step Guide," National Association of Realtors, available online at <http://www.realtor.org/prodser.nsf/products/126-140?OpenDocument>
2. For additional information on employer assisted housing, see: Schwartz, David, Richard Ferlauto and Daniel Hoffman. "Employer Assisted Housing: A New Tool for Low and Moderate Income Families." *Journal of Housing*. 46.1 (1989): 31-34. Schwartz, David C. and Daniel Hoffman. "Employers Help with Housing." *The Journal of Real Estate Development*. 5.1 (1989): 18-22. Sullivan, Tim. "Putting the Force in Workforce Housing." *Planning*. 70.10 (2004): 26-31.
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4. See Office of the Comptroller of the Currency (2007). *Understanding Employer-Assisted Mortgage Programs: A Primer for National Banks*. *Community Development Insights*, August 2007.
5. REACH Illinois (2007). "Employer-Assisted Housing 2006 Year-End Report," available online at <http://www.metroplanning.org/resources/4050.asp?objectID=4060&categoryID=2>
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Streamlining the Mortgage Approval Process in Indian Country

1. As sovereign governments, tribes have the right to form their own government; the power to make and enforce both civil and criminal laws; the power to tax; the power to establish membership; the right to license, zone and regulate activities; the power to engage in commercial activity; and the power to exclude persons (Indian and non-Indian) from tribal territories.
2. See Listoken et.al (2004). The effective homeownership rate is calculated to reflect the factors that are usually associated with homeownership tenure in the United States: many owned units on Reservations are Mutual Help (which is a rent to own program and is not market based, and 'owners' cannot sell their units). The effective homeownership rate also excludes units that don't have electricity, plumbing or a kitchen.
3. The terms of the mortgage product are also beneficial to borrowers. The downpayment requirement is low: 1.25% to 2.25% depending on the appraised value of the home. In addition, borrowers need not take out private mortgage insurance (borrowers pay a 1% guarantee fee at closing), and need only to demonstrate a 41% debt to gross income ratio which can be exceeded with compensating factors. Section 184 loans can also be sold to Fannie Mae and Freddie Mac in the secondary market. While initially the program was targeted primarily to on-reservation lending, the Section 184 program was expanded in 2002 to apply more broadly to all tribal areas.